

Cooperative Light & Power
Two Harbors, Minnesota

Regular Meeting of the Board of Directors

1.

A regular meeting of the Cooperative Light & Power (CLP) Association of Lake County Board of Directors was held at the Office of the Association at Fifteen Fifty-Four, Highway Two, on March 22, 2023, with the participation of Scott Veitenheimer, Pat Schmieder, Kyle Weideman, Roger Peterson, and Steve Josephson.

Five directors were present at the time the meeting was called to order at 9:09 am. Also present for the meeting were CEO Joel Janorschke, Business Manager Kevin Olson, Marketing Manager Carey Hogenson, HR/Finance Manager Shannon Haveri, Member Service Manager Ken Jones, and Sherry Fabini to take the minutes. Attending by means of video conference was member-owner Geoff Tolley. CLP Attorney Chad Felstul was not present.

2.

Scott Veitenheimer asked if there were any additions to the agenda. CEO Joel Janorschke stated that he had one addition and one change to the agenda. The addition would be under Board Action for a resolution for Wells Fargo Bank Authorization to remove Steve Wattnem, James Anderson, Peggy Kuettel, and Kevin Beardsley from that bank authorization. The change would be to move the executive session right before the Board Action required under meeting reports. Pat Schmieder also requested under Unfinished Business, discussion of the ROW contract and hiring Davey to acquire good contract language. She would also like to discuss redrawing for fair district boundaries.

3.

A motion was made by Kyle Weideman and seconded by Steve Josephson to approve the agenda as modified. Motion passed.

Present

Additions to
the Agenda

Agenda

Secretary

<p style="text-align: center;">4.</p> <p>A motion was made by Kyle Weideman and seconded by Steve Josephson to approve the February 23, 2023, minutes as modified. Motion passed.</p>	<p>Minutes</p>
<p style="text-align: center;">5.</p> <p>CEO Joel Janorschke informed the Board that he received an email from a member this morning with questions regarding the Community Solar Garden. He would like Joel to email him back with the answers to his questions. Joel will investigate this and get back to him when he gathers all the information.</p>	<p>Member Question</p>
<p style="text-align: center;">6.</p> <p>The consent agenda consisting of the following was reviewed. A motion was made by Roger Peterson and seconded by Steve Josephson to accept the consent agenda. Motion passed.</p>	<p>Consent Agenda</p>
<ul style="list-style-type: none"> • Applications and Terminations • Monthly Payments • Correspondence 	<p>Applications and Terminations</p>
<p>Application for Membership and Termination of Electric Service were presented for consideration.</p>	
<p>NEW SERVICE-1</p>	
<p>TRANSFER OF OWNERSHIP-18</p>	
<p>TERMINATION OF MEMBERSHIP (Name Change Only)-2</p>	
<p>TERMINATION OF MEMBERSHIP-14</p>	
<p style="text-align: center;">7.</p> <p>Mike Peterson from Esterbrooks was invited to the Board meeting to go through the 2022 Financial Audit and a letter to the Board. Mike presented the Independent Auditor’s Report. Esterbrooks is giving an unmodified opinion based on the audit and is fairly presented. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America, and for the design, implementation,</p>	<p>Financial Auditors Review</p> <hr/> <p>Secretary</p>

and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Auditor's responsibilities for the audit are performing selections of transactions, not all transactions. There is no guarantee that the audit is going to identify all errors or missing statements but feel everything is fairly presented. They design audit procedures to look for two types of misstatements: errors or fraud. Fraud will be much more difficult to detect. Fraud might involve collusion, forgery, intentional omissions, misrepresentation, or override of internal control.

Mike next went over the numbers on the balance sheets, statements of revenue and patronage capital, statement of cash flow, and notes to the financial statements for the year ended December 31, 2022, and 2021. He goes through each section and explains the numbers, differences, and any concerns to the Board.

Mike went over the letter to the Board of Directors. This covered the independent auditors report on compliance with the aspects of contractual agreement and regulatory requirements for electric borrowers and on internal control over financial reporting and compliance and on the other matters based on an audit of financial statements performed in accordance with government auditing standard.

Mike reported that the audit went very smoothly, and the staff was very accommodating. It went very well.

8.

Kristi Robinson and Rachel Hockert from Star Energy Services presented the Class Cost of Service & Rate Study to the Board. They presented the Cost-of-Service breakdowns in detail which included functional costs, classify cost, and allocate costs. All questions from the Board were answered. Kristi went over the Rate study. The goals of the rate study were to simplify the number of rates, remove tiers from energy rates, zero out the PCA, target \$350,000 in operating margins and maintain rates for 2 years. Three different options were presented. The Board will take a month to think about all this information and decide next month at the Board meeting. Kristi also suggested another service idea for the Board. It is a Whole House Time of Use. It would have three time periods with off peak, on peak and nighttime. This will be another option for the Board to think about. The Board thanked Kristi and Rachel.

2023 Class
Cost of Service
& Rate Study

Secretary

9.

Member Service Manager Ken Jones presented the Annual Cogeneration Report. Kristi Robinson and Rachel Hockert both prepared this report and stayed to answer any questions that the Board had. There were only a few changes to be reported. There was an increase in our DG total. Thirteen new solar systems were added to make a total of 70 at the end of the year. The ARCER rate, what CLP pays DG owners that produce more than what they use, went up from \$0.1356/kWh to \$0.14038/kWh. The last change was to get rid of the Simultaneous Purchase Sale that no one uses and to enforce the PURPA Final Rule. All questions that the Board had were answered.

DER Annual Review

10.

Member owner Geoff Tolley addressed the Board. He would like more options for encouraging more member-owners to run for directorship to bolster the health of CLP's democracy. Scott Veitenheimer replied to Geoff that this has been a problem for a while. Members must show an interest in the Co-op and want to participate in it. We need to continue to interact with the members with all our activities and community events. Share input at district meetings and in the monthly newsletters what is involved to being a director.

Member-Owners

11.

The Operating Margin for the month of January was a positive \$295,623 as compared to a budgeted figure of a positive \$261,771 for a positive variance of \$33,852. Non-Operating Margins-Interest for the month of January was positive \$2,622 as compared to a budgeted figure of positive \$1,640 for a positive variance of \$982. Non-Operating Margins-Other for the month of January was a negative \$640 as compared to a budgeted figure of a positive \$2,500 for a negative variance of \$3,140. Other Capital Credits & Patronage for the month of January was a zero as compared to a budgeted figure of zero, for a neutral variance. This resulted in a total margin for the month of January of a positive \$297,605 as compared to a budgeted figure of a positive \$265,911 for a positive variance of \$31,694.

Financial Report

Secretary

Finland Rec Center.

Lake County Chamber of Commerce is hosting a Career Expo at Two Harbors High School April 3, 2023, that Carey will be attending.

Member Service Manager Ken Jones reported that three new solar arrays have been commissioned along with three new heat installs. This past month he is working on the annual CIP reporting for 2022, and the USDA reporting for 2022.

Operating Manager Brian Bentler reported that there is less snow along the lake and Central Applicators began ROW clearing along that area. He communicated this with the members that are affected.

14.

CEO Joel Janorschke addressed the Board. He went over what MREA and legislation are working on:

- Property tax and load control receivers
- Paid family medical leave
- DOT drivers and recreational cannabis

15.

Scott Veitenheimer went over his report on the GRE March meeting he attended. GRE's portfolio appears to be sufficient to meet the 2030 goals set by legislation.

Scott went over GRE's Integrated Resource Plan (IRP) for 2023. Three items were added: 1) 2040 Carbon Free Standard, 2) MISO Seasonal Accredited Capacity (SAC), and 3) Inflation Reduction Act (IRA). GRE will be the first Minnesota utility to file this IRP with these three new items. Scott went over the numbers on the January financials. Several motions were approved as well as resolutions. A vote for the MAG patronage and capital retirement for \$25 million was passed.

CEO Joel Janorschke went over his discussion on the Managers GRE March meeting and informed the Board that the IRP will be available online for their review. Other discussions that were touched on were: PURPA, the Transmission congestion in Minnesota MISO Market, and long-term contracts and rates.

CEO Report

GRE & MMG Meeting

Secretary

<p style="text-align: center;">16.</p> <p>At 2:06pm a motion was made by Roger Peterson and seconded by Pat Schmieder to go into executive session to discuss the CLP Organizational Chart and the direction CEO Joel Janorschke sees CLP going in. Motion passed. At the conclusion of the discussion, a motion was made by Pat Schmieder and seconded by Steve Josephson to exit the session at 2:38pm. Motion passed.</p>	<p>Executive Session</p>
<p style="text-align: center;">17.</p> <p>A motion was made by Roger Peterson and seconded by Pat Schmieder to approve the Resolution for Unclaimed Capital Credit Distribution to be donated to Operation Round Up. Roll call. Pat, yes. Kyle, yes. Steve, yes. Roger, yes. Scott yes. Resolution passed.</p>	<p>Resolution for Unclaimed Capital Credit</p>
<p style="text-align: center;">18.</p> <p>A motion was made by Roger Peterson and seconded by Pat Schmieder to approve Board Policy IV-24 Organizational Chart as discussed. Motion passed.</p>	<p>Board Policy IV-24 Organizational Chart</p>
<p style="text-align: center;">19.</p> <p>A motion was made by Kyle Weideman and seconded by Steve Josephson to approve the Operation Round Up grant distribution. Motion passed.</p>	<p>Operation Grants</p>
<p style="text-align: center;">20.</p> <p>A motion was made by Roger Peterson and seconded by Steve Josephson to approve the Resolution to remove past employees Steve Wattnem, James Anderson, Peggy Kuettel and Kevin Beardsley from Wells Fargo Bank Authorization. Resolution passed.</p>	<p>Resolution for Wells Fargo Bank Authorization</p>
<p style="text-align: center;">21.</p> <p>A motion is made by Steve Josephson and seconded by Pat Schmieder to accept the Auditors Report. Motion passed.</p>	<p>Auditors Report</p> <hr/> <p>Secretary</p>

<p style="text-align: center;">22.</p> <p>A motion is made by Pat Schmieder and seconded by Roger Peterson to accept the Co-Gen Filings and Report. Motion passed</p>	<p>Co-Gen Filings</p>
<p style="text-align: center;">23.</p> <p>A motion is made by Roger Peterson and seconded by Kyle Weideman to accept Board Policy I-25 Substance Abuse and Alcohol Misuse-FMCSA Drug & Alcohol Policy. Motion passed.</p>	<p>Board Policy I-25</p>
<p style="text-align: center;">24.</p> <p>The agenda was altered at this point to unfinished business. Bylaws will need to get into dropbox as soon as possible. Pat would like to review before her term is up due to all the work and input, she put into this. She would like this discussed at the Annual and Districts meetings. She would like to see members be engaged in decisions in the bylaw changes. She would like to see a second district meeting scheduled for the fall to get member input. She would like to see members vote on sections and not the entire document. Pat shared her input on redistricting. The Board will discuss this at the district meetings with the members and see how they feel. She would like Davey to help with the language for the ROW contract. Kevin Olson stated that there will be very clear communication and expectation for all contractors' statements of work. He would like a level four or five forester on staff to start for the first year to go out and meet with all the members with improvements going forward. This will build back trust with the members having a forester talk to them. Discussion with the Board about opting out of the ROW and if we need to get rid of opt-out to make this plan work.</p>	<p>Unfinished Business</p>
<p style="text-align: center;">25.</p> <p>Scott requested to table the policies and discussion on Deb Eglund's proposal to the Board evaluation until the April Board meeting. The Board agreed.</p>	<p>Tabled Policies and Proposal</p>
<p style="text-align: center;">26.</p> <p>Scott Veitenheimer and the Board thanked Pat Schmieder for her service on the Board.</p>	<p>Pat Schmieder</p> <hr/> <p>Secretary</p>

27.

The Board discussed the date for the next Board meeting. The date is set for April 26, 2023, at 9:00 a.m.

Upcoming Meeting

28.

There being no further business to come before said meeting, adjournment was called for at 3:21 p.m. with a motion from Pat Schmieder and a second by Kyle Weideman. Motion carried.

Adjournment

Steve Josephson, Secretary

CORPORATE SEAL

Secretary